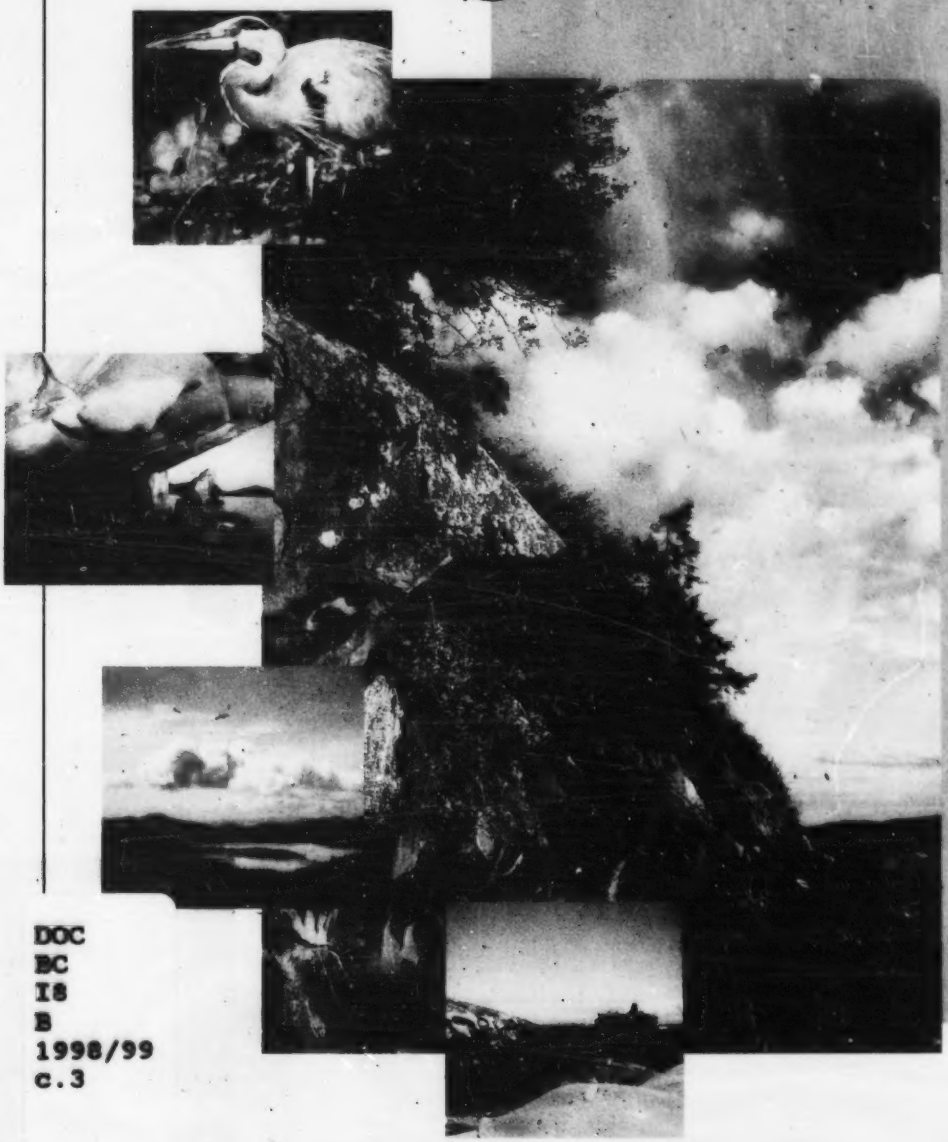
ISLANDS TRUST

Stewardship

Preservation

Sustainability



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1998-1999 Annual Report

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Message from the Chair

1998-1999 has been a year of continued progress on all fronts with enhanced delivery of our local planning commitment in a number of ways:

- Completing currency of Community Plans and Land Use bylaws,
- Responding to new *Municipal Act* reforms and
- Determining how to best accommodate our first new Island Municipality into the federation.

Local Planning, Protocol Agreements, Policy Review

The Executive Committee successfully completed an international protocol with San Juan County on mutual interests including Marine Protection, protection of natural values on private land and expression of the unique nature of island community needs.

Trust Council completed a Forest Sector Profile and a major review of policies in the Policy Statement on island forestry practices. Our extensive program of Inter-agency Protocols has been used to effectively create opportunities for open dialogue on multi-jurisdictional issues.

On behalf of my colleagues on the Executive Committee and all of the Local Trustees, I would like to thank our staff for their hard work in completing programs of Trust Council and in effective delivery of local planning services.

David Essig
Chair

Message from the Trust Fund Board Chair

The Islands Trust Fund had a year filled with conservation work on all levels including the registration of three conservation covenants to protect significant values on private lands; completing a management plan for Kwel Sanctuary on Lasqueti Island donated by Mrs. Amelia Humphries in December 1997; and completing the McFadden Creek Nature Sanctuary purchase with its partners Wild Bird Trust and the Waterbird Watch Collective of Salt Spring Island.

Conservation In Action

In April 1998, the Trust Fund Board held a strategic planning session facilitated by an individual with 20 years of land trust experience. The outcome of the sessions will provide guidance for the Board's conservation work over the next five years.

Registration of a conservation covenant on South Winchelsea Island is one of the first successes of the year. The Islands Trust Fund and the Nanaimo and Area Land Trust jointly hold the covenant and monitor the property's use. This was followed by the registration of a covenant on three contiguous parcels on North Pender Island, protecting the character of a heritage road. The covenant is jointly held by the Trust Fund and the Pender Island Conservancy Association. Third, we registered a covenant on part of Retreat Island with the Garry Oak Meadow Preservation Society and the Ridington Family.

We continue to work with Conservancies, landowners and government organizations to increase conservation through direct protection measures. We've come a long way in the 8 years we've been working on conserving significant areas.

Melinda Auerbach
Chair

Message from the Executive Director

Client and public communications were improved in the 1998/99 year. Staff developed the Website to provide current information on all regular activities and Trust Council initiatives for the public to explore at any time. In addition, a new tracking system for applications has improved accuracy and efficiency in handling queries from the public.

National recognition of the unique value of the Islands Trust area was recognized through the joint provincial and federal governments' Pacific Marine Heritage Legacy Program. The Islands Trust continued its liaison on the consideration for establishing a federal marine park in the trust area.

Planning for Future Challenges

The implications of establishing island municipalities in the Trust remains a major focus for the organization. Implications touch all activities of the corporation including Trust Council initiatives, agency agreements and financial management. The Trust will continue to review governance options to accommodate future changes resulting from local interest in municipal status.

On behalf of the Islands Trust management team, I would like to thank staff for their dedicated effort and trustees for their support, in particular the Executive Committee, in helping the Islands Trust pursue its mandate.

Gordon McIntosh
Executive Director

Growth Management

Official Community Plans

Official Community Plans (OCPs) set out a community's intentions for managing growth and development and preserving local environments. Residents of Denman, Hornby, Galiano, Saturna and Gambier Islands all began revisions of their OCPs during this 12 month period.

Salt Spring Island Local Trust Committee completed its OCP, while the Lasqueti Island Local Trust Committee initiated the revision of a Rural Land Use Bylaw and Thetis Island Local Trust Committee completed one for Valdes Island.

Public Lands Strategy

On many islands, vacant Crown land contributes significantly to environmental protection, groundwater recharge and preservation of unusual habitats and species. Many islanders believe these lands should remain undeveloped to maintain the balance between the natural environment and human activities.

Towards this end, the Islands Trust initiated a program entitled the Public Land Strategy which is bringing together the Province, island residents, first nations and regional districts for consultations to determine future use of Crown Lands.

Ferry Services

Ferries are especially important to the Trust islands to allow people and goods to travel to and from the islands. Trust representatives from all of the islands continued to serve on the stakeholders' advisory committees of the BC Ferry Corporation. In addition, several became members of the Coastal Council which was formed in June of 1998.

Administration

To save resources and provide more effective computer information, the Islands Trust developed an Information Systems Strategic Plan.

Land use changes proceed more smoothly when land parcels and associated technical information appear together in decision making information. Accordingly, the Islands Trust developed a tracking system to link the Geographic Information System with the applications tracking system.

Expansion of the Islands Trust Website allowed for full reporting of local trust committee activites and work programs.

Programs to Protect the Environment

- **Forestry**

  Maintaining forested areas through appropriate forestry practices enhances the beauty of island forests and helps to protect ecological systems. The forest program explored land tenures and completed a review of current forestry activitiy in the trust area. In seeking definition of the special considerations of island forests, the Islands Trust prepared permit legislation and model policies for local trust committee use.

- **Natural Area Protection Tax Incentives for Voluntary Stewardship**

  Reduction of property taxes could provide an effective method of protecting natural areas on private lands. During the past year, the Islands Trust Council and the Sunshine Coast Regional District reached voluntary agreement on a pilot tax incentive program for voluntary stewardship on the Gambier Island Local Trust Area. Passage of the legislation necessary to authorize the incentive is expected in spring of the year 2000.

- **Pacific Marine Heritage Legacy Program**

  Many marine islands in the trust area support ecosystems unique to the west coast. Preservation of these features for future generations falls within the mandate of the Islands Trust. The provincial and federal governments contribute through a program to purchase upland adjacent to the ocean in the southern Georgia Strait for establishing a federal park.

- **Ecosystem Inventory and Mapping Program**

  Systematic preservation of marine and island features cannot proceed without a complete inventory of sensitive ecosystems. To support ongoing efforts towards achieving this inventory, the Islands Trust mapping services incorporated information from a large number of sources into a central data base.

Governance

Island Municipalities

The development of municipalities within the trust area will alter the dynamics of Trust Council and the budget and services of the organization. Trust Council began examining the implications of possible municipality incorporation on Bowen and Salt Spring Islands.

In 1998, both Bowen and Salt Spring Islands were considering becoming incorporated island municipalities. As such, these islands would remain within the Islands Trust, but the nature of Trust Council would be altered, as well as its budget and services. Council studied this possibility and determined that existing land use policies would apply to island municipalities and local trust committees in the same way.

Transborder Island Agreement

The international border between Canada and the United States of America extends across the Georgia Basin marine areas common to both nations. Recognizing mutual interests in protecting this shared environment, Trust Council and San Juan County entered into a Transborder Protocol Agreement to share experience in tax incentive proposals and designation of marine protected areas.

Islands Trust Council

Quarterly Meetings

Responsible for general policies and financial management of the Islands Trust, the 26-member Trust Council held regular quarterly meetings: Gabriola Island (June), North/South Pender Islands (September), Victoria (December), and Hornby Island (March).

Policy Statement

The Islands Trust Policy Statement provides overall direction for trust area activities. During the past year, Trust Council replaced the policies governing forest land use and created new policies prohibiting gambling facilities in the trust area.

Transborder Island Council Session

To facilitate Canada/USA discussions of mutual interests in the Georgia Basin, Trust Council hosted a meeting with representatives from all levels of government in December 1998. Topics discussed included:

-marine area protection,
-growth management,
-alternate infrastructure systems, and,
-natural area protection tax incentives.

Trust Council Advisory Committees

To provide in-depth consideration of Trust Council matters, three standing committees of trustees advise on policy matters.

Local Planning Committee

Along with the larger islands, the trust area includes over 457 smaller islands, both inhabited and uninhabited. The Committee reviewed policy guidelines for priorizing land use planning activities on these associated islands.

To adequately review development applications, local trust committees need information. To require applicants to submit the necessary information, Denman, Galiano, and Bowen Islands received Approvals Information Bylaw approval from Trust Council.

Trust Policy Committee

1998/99 activities focussed on portions of the Policy Statement concerned with the legal, organizational and regulatory mechanisms involved in promoting sustainable forestry.

The Committee assumed responsibility for moving forward the Natural Area Protection Tax Incentive for privately owned land. Its efforts refined data sources, defined application procedures and evaluated measures for ensuring implementation.

Financial Planning Committee

Island residents expect fair property tax treatment. Accordingly, the Committee produced a budget with no tax increase in 1999, while fully supporting the land use planning process underway on 11 islands.

Executive Committee

Comprised of a Chair and three Vice-chairs elected from the Trust Council, this committee oversees the daily business of the Islands Trust.

As part of its duties, the Executive reviewed all local bylaws in 1998/99 to ensure their accordance with overall policies and with the objectives of the Trust.

To further Trust initiatives, Committee members met and remained in contact with many elected officials, including:

- The Federal Minister of Fisheries regarding dock divestiture, the Pacific Marine Heritage Legacy acquisition program and the Transborder Island Agreement,
- The Minister of Advanced Education and Technology and the Minister of Environment Lands and Parks to advance the Natural Area Protection Proposal,
- The Minister of Environment Lands and Parks to seek support for the Protection of Public Lands Strategy,
- The Minister responsible for BC Ferries, to request a seat on the BC Ferries Board,
- The Federal Minister of Heritage regarding plans for the Pacific Marine Heritage Legacy, and
- Annual meetings with all Members of the Legislative Assembly with constituents in the Trust Area.

Islands Trust Fund Board

The Board seeks to preserve special natural and cultural areas within the trust area through its ability to accept donations of land and funds. This goal is achieved through the establishment of nature reserves and sanctuaries, registration of conservation covenants and provision of conservation and stewardship information to interested parties.

Accomplishments during the past year included:

- Approval of a Five Year Strategic Plan to guide the Board's conservation activities,
- Registration of three conservation covenants on private lands,
- Completion of a management plan for Kwel Sanctuary on Lasqueti Island,
- Acquisition of the Davies property on Salt Spring Island to establish McFadden Creek Nature Sanctuary, one of the most significant heron nesting sites in the Georgia Basin, and
- Partnering with the Land Conservancy of BC and the Nanaimo and Area Land Trust to initiate protection of the Ballenas-Winchelsea archipelago.

Serving Communities in the Strait of Georgia and Howe Sound

Local Trust Committees

Each group of islands designated as a local trust area under the Islands Trust Act elects a local trust committee which oversees land use planning and regulation for its area of jurisdiction.

Trust Committees In Action:

Bowen Island

Land Use Bylaw review occupied much of this Local Trust Committee's work schedule. Other priorities included a local restructure study and a Bowen Island Transportation Strategy.

Denman Island

The Official Community Plan Review continued as the main focus. Other efforts concentrated on regulations to promote sustainable forest land use.

Gabriola Island

Completion of the Official Community Plan occurred this past year, allowing initial work on the Land Use Bylaw to proceed.

Galiano Island

Committee work focussed on developing the Land Use Bylaw and completing additional amendments to the Official Community Plan.

Gambier Island

The Local Trust Committee chose to defer the Official Community Plan and emphasize other projects, including dock divestiture and maintenance.

Hornby Island

The Official Community Plan review continued. The Committee also focussed on a groundwater management program with support from the Provincial Water Management Branch.

Lasqueti Island

Activity centred on reviewing the Rural Land Use Bylaw.

Accomplishments 1998-1999

Mayne Island

The new Land Use Bylaw facilitated Committee consideration of the transportation network through Miner's Bay.

North Pender Island

Land Use Bylaw review neared completion.

Salt Spring Island

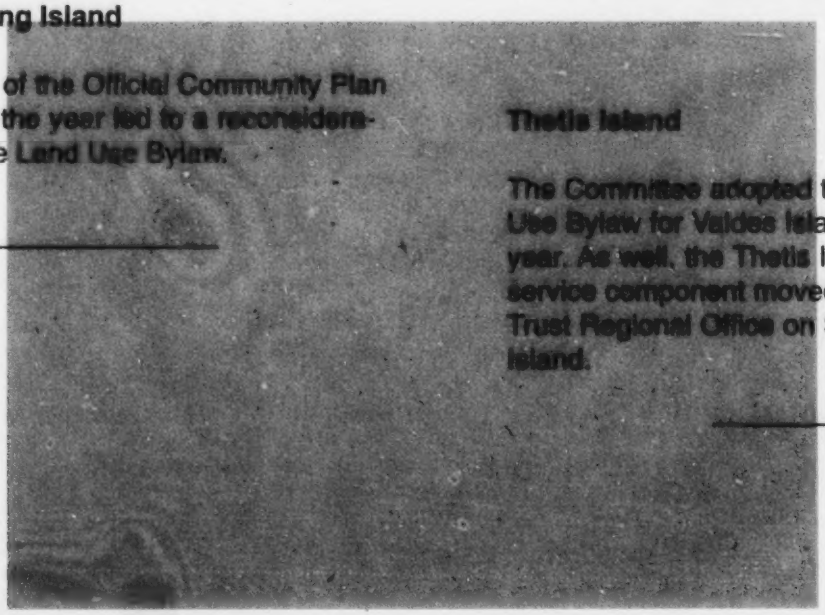
Adoption of the Official Community Plan earlier in the year led to a reconsideration of the Land Use Bylaw.

Saturna Island

The Official Community Plan review proceeded. A major redevelopment of agricultural land for a winery involved an intensive review.

South Pender Island

The Bedwell Harbour rezoning and the review of the water zoning components of the Land Use Bylaw proved the major accomplishments of the year.



Thetis Island

The Committee adopted the Rural Land Use Bylaw for Valdes Island early in the year. As well, the Thetis Island planning service component moved to the Islands Trust Regional Office on Salt Spring Island.

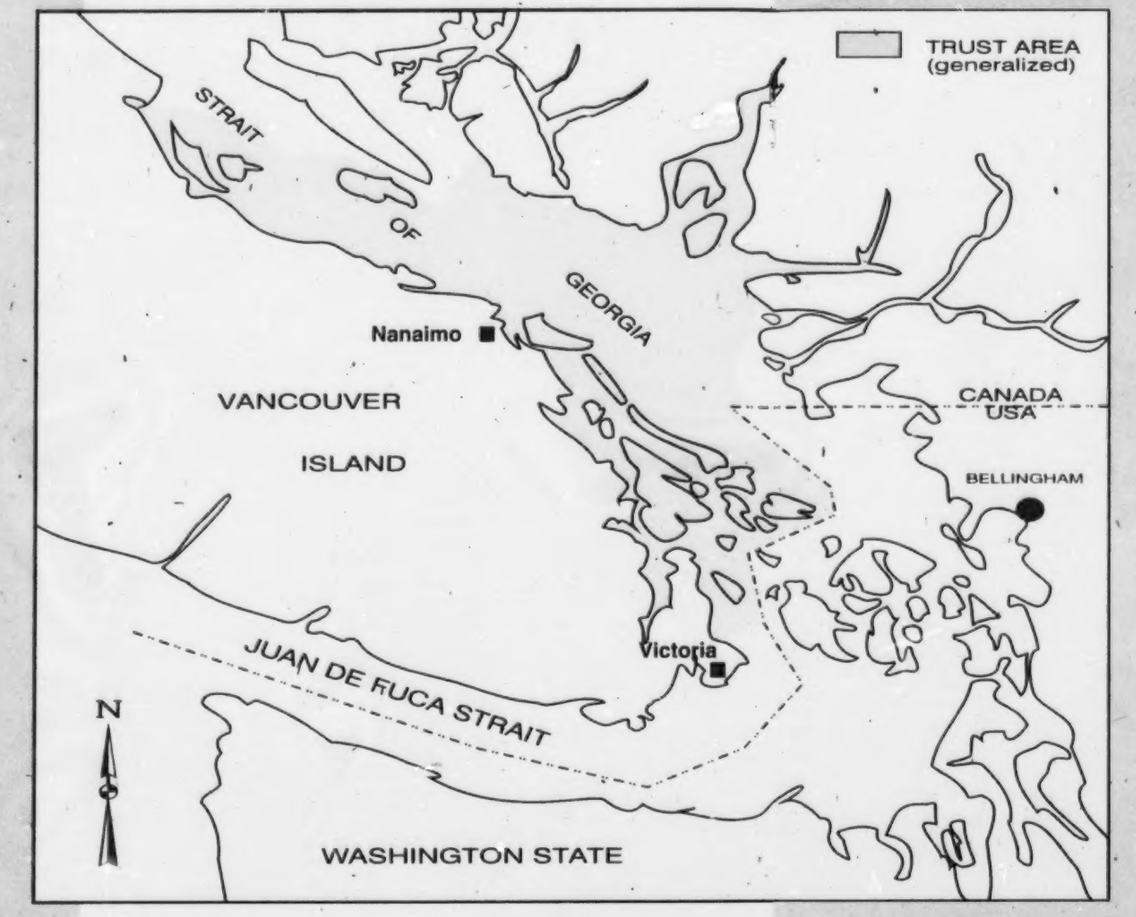
... A Special Place ...

Located in the Strait of Georgia and Howe Sound, the trust area is a unique and special place - a scenic archipelago of 13 larger islands and more than 450 smaller ones. The area provides habitats for an exceptional variety of species: more than 200 types of migratory and resident birds, numerous species of fish and a diverse marine and intertidal life, terrestrial wildlife and vegetation.

Outstanding scenery and recreational resources include panoramic viewpoints, sheltered bays with warm sand or pebble beaches, and protected marine waterways and anchorages that contribute to the location's beauty, appeal and tranquility.

The beauty, tranquility and unique natural environment of the islands in the Strait of Georgia and Howe Sound have given the area national recognition. Realizing this, the Government of British Columbia enacted special protective legislation entitled the Islands Trust Act in 1974. The Act states that the object of the Islands Trust is to "preserve and protect the trust area and its unique amenities and environment for the benefit of the residents of the trust area and of British Columbia generally, in cooperation with the municipalities, regional districts, improvement districts, other persons and organizations, and the government of British Columbia."

ISLANDS TRUST



The trust area includes all land, other than first nation's reserve land, on all islands, and the water in between these islands, except foreshore areas of local governments on Vancouver Island and the mainland.

Services

Community Planning
Development Management
Property Acquisition and Stewardship
Conservation

KEY FACTS AND FIGURES

SIZE: 5,178 kilometres
POPULATION: 23,000
APPLICATIONS PROCESSED: 208
PROPERTIES HELD IN TRUST:

- Inner Island Nature Reserve
- Coats Millstone Nature Reserve
- Medicine Beach Marsh Nature Sanctuary
- Cunningham Reserve
- Deep Ridge Reserve
- Denman Island School Site
- Lasquiti Island Kwel Sanctuary
- Lower Mount Erskine Reserve

Organization and Responsibilities

The Islands Trust is comprised of 16 distinct corporate entities: the **Trust Council**, 14 **Local Trust Committees** (LTC) and the **Trust Fund Board** (See Organization Chart in Appendix B).

The Trust Council brings together trustees elected from each local trust area. It establishes overall policy directions, bears responsibility for financial management, appoints staff and auditors and adopts the annual budget.

In addition, Trust Council is required to adopt and implement a Policy Statement applicable to the entire trust area. This statement constitutes a framework for land use planning undertaken by Local Trust Committees. It guides the more specific plans and policies developed at the local level, and ensures that these plans contribute to the implementation of the broader policies for the overall trust area.

Trust Council elects from its members an **Executive Committee**. This body carries out the daily business of the Islands Trust. In addition to representing those areas not included within any other local trust area, Executive Committee reviews all local trust committee bylaws to ensure their compliance with Trust Council policy directives.

There is a Local Trust Committee for each island or group of islands designated as a local trust area under the *Islands Trust Act*. Comprised of locally elected trustees and one Executive Committee member, a LTC is responsible for land use planning and regulation for its area of jurisdiction. As such, its responsibilites include preparation and adoption of an Official Community Plan, rural land use bylaws, zoning and subdivision servicing bylaws, regulation of soil removal and deposit, and authorization of certain *Municipal Act* permits.

Official Community Plans guide island community development and must be approved by the Minister of Municipal Affairs.

Boards of Variance are established by LTCs to provide an avenue of appeal from the application of some regulations found in local land use and zoning bylaws.

Also established by LTCs, local **Advisory Planning Commissions** advise on land use planning matters referred to them by the LTC.

The goal of the **Islands Trust Fund Board** is to preserve and protect significant areas and features in the trust area. The board is authorized to acquire and hold money, land and partial interests in land for conservation purposes.

A first priority was development of an inventory of rare and endangered species, critical habitats and unique or fragile features. This inventory will facilitate informed land use decisions.

The Trust Fund Board has a mandate to accept conservation covenants on land, as well as reception of land itself from benevolent landowners. These sites are held to protect forests, trail networks, wetlands, as well as scenic and heritage values.

Liason has been established with a number of conservancy groups.

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Appendix A: Council of Trustees

Trustees of the Islands Trust and Island Trust Fund Board

Chair:
David Essig

Vice-chairs:
Melinda Auerbach

Larry Holbrook

John Money

Chair:
Melinda Auerbach

Members:
Ann Hillier

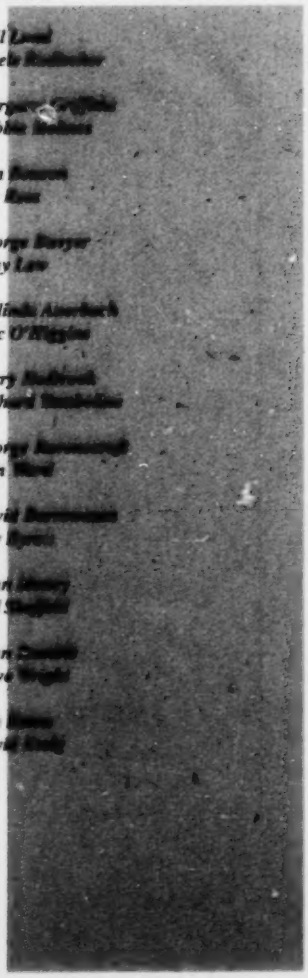
Ross Johnson

Tony Law

Michael Paine

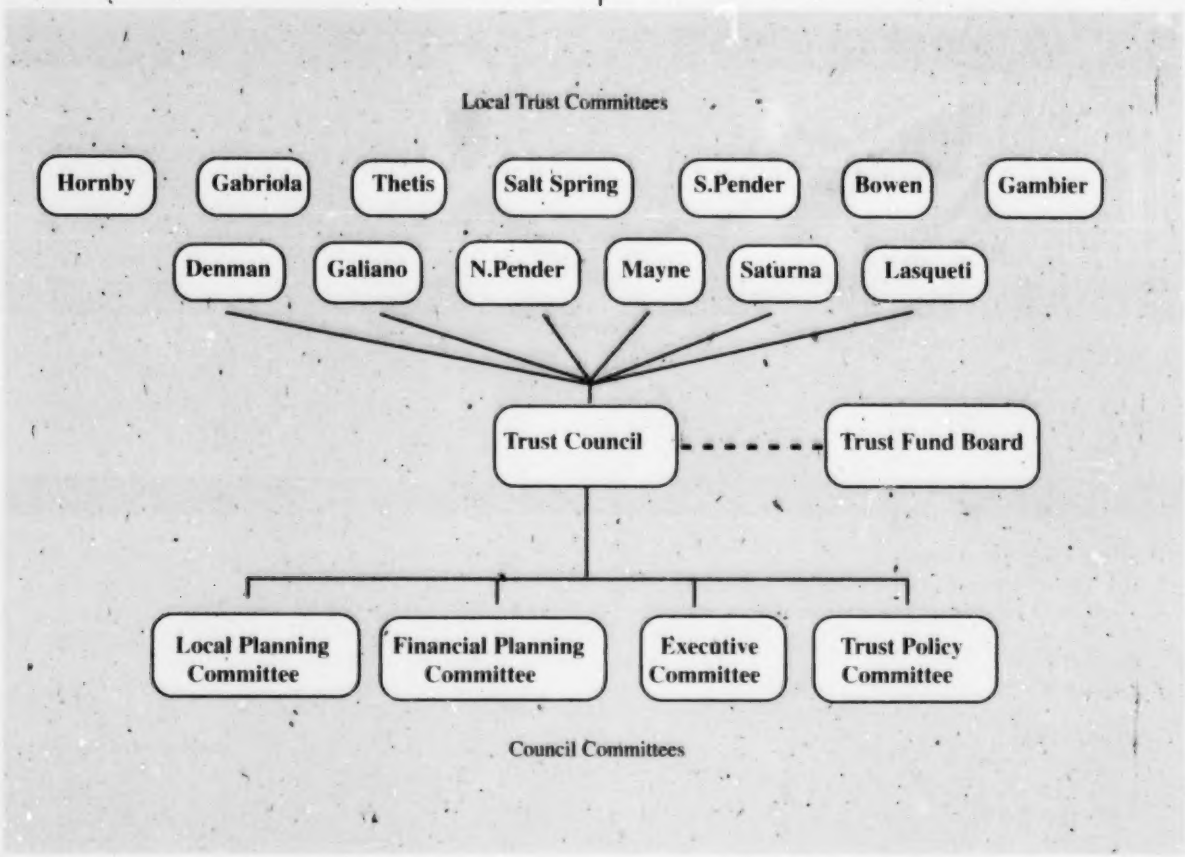
Tom Ward

Bowen	*Tracy Chambers* *Eric Sherlock*
Denman	*Louise Bell* *Bill Limin*
Gabriola	*Gail [illegible]* *Gisele [illegible]*
Galiano	*Marg[illegible]* *Debbie [illegible]*
Gambier	*Kim [illegible]* *Ian [illegible]*
Hornby	*George [illegible]* *Tony Law*
Lasqueti	*Melinda Auerbach* *Eric O'[illegible]*
Mayne	*Larry [illegible]* *Richard [illegible]*
N. Pender	*George [illegible]* *Tom [illegible]*
Salt Spring	*David [illegible]* *Bev [illegible]*
Saturna	*John [illegible]* *Bill [illegible]*
S. Pender	*John [illegible]* *Steve [illegible]*
Thetis	*Jon [illegible]* *David [illegible]*



Appendix B: Legislative Structure of the Islands Trust

Organizational Structure



Decision Making

Each Local Trust Area selects two members to sit on the local trust committee and on the Trust Council. This body of elected representatives is responsible for the business of the Islands Trust. The Executive Committee of the Trust Council is responsible for running the Islands Trust between sittings of the Trust Council.

Planning Support

The Local Planning, Financial Planning and Trust Policy Committees, along with their supporting staff, provide technical expertise.

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Part A: Financial Statements of the Islands Trust

Balance Sheet
(March 31, 1999 with comparative figures for 1998)

	1999	1998
ASSETS		
Current assets:		
Cash and short-term investments		
Unrestricted	$1,218,667	$1,360,730
Restricted for pre-retirement leave (2)	12,133	11,622
Accounts receivable	106,024	85,073
Prepaid expenses	23,534	22,415
	1,360,358	1,479,840
Fixed assets:		
Office furniture and equipment	708,570	626,850
Denman Island Old School Site (3)	10,000	10,000
	718,570	636,850
	$2,078,928	**$2,116,690**
LIABILITIES, RESERVES AND EQUITY		
Current liabilities:		
Unearned revenue	$3,535	$9,058
Accounts payable and accrued liabilities	368,402	616,301
	371,937	625,359
Other liabilities:		
Reserve for pre-retirement leave plan (2)	12,133	11,622
Reserves (1(d))		
Future expenditures	218,929	182,300
Payroll benefits	87,565	60,485
Working capital	130,000	130,000
Capital	81,630	61,000
Legal	200,000	177,630
Operating	120,000	93,000
	838,124	704,415
Equity:		
Surplus	138,164	138,444
Equity in capital assets (4)	718,570	636,850
	856,734	775,294
Commitments (5)	--	--
Contingency (6)	--	--
	$2,078,928	**$2,116,690**

Statement of Revenue and Expenditure

(Year ended March 31, 1999 with comparative figures for 1998)

	1999 Total	1999 Budget	1998 Total
REVENUE			
Property tax levy	$2,851,435	$2,851,435	$2,795,525
Provincial grant	423,000	423,000	423,000
Community planning grants (7)	150,000	--	42,300
Fees and sales	108,637	185,000	123,206
Interest and other	87,505	52,000	71,035
Appropriations from surplus	40,432	28,155	105,500
	3,661,009	3,539,590	3,560,566
EXPENDITURE			
Council services	801,202	855,919	712,881
Local services	2,456,438	2,389,047	2,544,585
Trust Fund services	266,137	274,624	238,020
Transfer to Operating Reserve	20,000	20,000	--
	3,543,777	3,539,590	3,495,486
Net revenue for the year	**$117,232**	**$--**	**$65,080**

Satement of Surplus

	1999	1998
Balance, beginning of year	$138,444	$416,943
Deduct surplus appropriated for current year	(40,432)	(105,500)
	98,012	311,443
Add net revenue for the year	117,232	65,080
	215,244	376,523
Deduct transfer to reserves:		
Payroll benefits	27,080	27,079
Working capital	--	30,000
Capital	20,630	31,000
Legal	22,370	120,000
Operating	7,000	30,000
	77,080	238,079
Balance, end of year	**$138,164**	**$138,444**

Part A: Financial Statements of the Islands Trust

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Legal	22,370	120,000
Operating	7,000	30,000
	77,080	238,079
Balance, end of year	**$138,164**	$138,444

The Islands Trust is incorporated under the 'Islands Trust Act' of British Columbia. The object of the Islands Trust is "to preserve and protect the trust area and its unique amenities and environment for the benefit of the residents of the trust area and of British Columbia generally...". For financial reporting purposes, the Trust and the Islands Trust Fund are reported on separately. These financial statements present the financial position and results of operations of the Trust.

These financial statements have been prepared by KPMG Chartered Accountants, and submitted to the Islands Trust Council on May 18, 1999. The statements are based on an audit of the Islands Trust and the Islands Trust Fund balance sheets as at March 31, 1999.

1. Significant accounting policies:

It is the Trust's policy to follow accounting principles generally accepted for British Columbia municipalities. The following is a summary of the more significant policies:

(a). Investments: Investments are recorded at cost.

(b). Fixed assets: Fixed assets, whether purchased outright or financed by long-term debt or lease, are capitalized on the balance sheet. Payments for fixed assets or for the related financing thereon are treated as operating expenditures with an appropriate credit to equity in capital assets. Donated fixed assets are carried at appraised market value at the time of donation.

(c). Depreciation: In accordance with a direction from the Ministry of Municipal Affairs, no depreciation is recorded on fixed assets.

(d). Reserves: These reserve accounts are non-statutory reserves established at the discretion of Trust Council.

Reserves include a reserve for future expenditures, a payroll benefit reserve, a working capital reserve, a capital reserve, a reserve for legal costs and an operating reserve.

2. Pre-retirement leave plan:

The Superannuation Commission of the Province of British Columbia transferred to the Trust the assets and obligations of a pre-retirement leave plan in respect of certain employees. Management considers the assets of the plan to be adequate to cover its obligations.

3. Denman Island Old School Site:

In 1993/94, the Denman Island Old School Site was sold by the school district to the Trust for $10,000. The Denman Island Ratepayers' Association donated the purchase price then leased the building from the Trust for 99 years for a total fee of $10. The Trust agreed to facilitate the sale of the school between School District #71 and the Ratepayers' Association by holding title to the property on behalf of the community.

4. Equity in capital assets:

Capital Assets	1999	1998
Opening balance	$636,850	$520,009
Assets acquired out of operating expenditure	81,720	116,841
Closing Balance	$718,570	$636,850

5. Commitments:

The Trust is committed to leases over rented premises and equipment. Minimum future payments in the next five years are as follows:

Leases		
Year	Premises	Equipment
2000	$ 194,134	17,514
2001	142,782	16,415
2002	--	11,045
2003	--	9,543
2004	--	--

6. Contingency:

(a). In the normal course of a year, the Trust is faced with lawsuits for damages of diverse types. At year end, the Trust's estimated exposure in each such liability is not considered to be significant. When claims are paid as a result of litigation, the expenditures are accounted for in the year of settlement.

(b). Uncertainty due to the Year 2000 issue: The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operation. It is not possible to be certain that all aspects of the year 2000 issue affecting the Trust, including those related to efforts of customers, suppliers, or other third parties, will be fully resolved.

7. Community planning grants:

Planning grant revenue is recorded on the accrual basis to match the grant revenue against the related expenditures.

At March 31, 1999 all outstanding approved 1997/98 planning grants have been recorded in revenue as the related expenditures have been incurred or recorded in the reserve for future expenditures.

The Islands Trust is incorporated under the 'Islands Trust Act' of British Columbia. The object of the Islands Trust is "to preserve and protect the trust area and its unique amenities and environment for the benefit of the residents of the trust area and of British Columbia generally...". For financial reporting purposes, the Trust and the Islands Trust Fund are reported on separately. These financial statements present the financial position and results of operations of the Trust.

These financial statements have been prepared by KPMG Chartered Accountants, and submitted to the Islands Trust Council on May 18, 1999. The statements are based on an audit of the Islands Trust and the Islands Trust Fund balance sheets as at March 31, 1999.

1. Significant accounting policies:

It is the Trust's policy to follow accounting principles generally accepted for British Columbia municipalities. The following is a summary of the more significant policies:

(a). Investments: Investments are recorded at cost.

(b). Fixed assets: Fixed assets, whether purchased outright or financed by long-term debt or lease, are capitalized on the balance sheet. Payments for fixed assets or for the related financing thereon are treated as operating expenditures with an appropriate credit to equity in capital assets. Donated fixed assets are carried at appraised market value at the time of donation.

(c). Depreciation: In accordance with a direction from the Ministry of Municipal Affairs, no depreciation is recorded on fixed assets.

(d). Reserves: These reserve accounts are non-statutory reserves established at the discretion of Trust Council.

Reserves include a reserve for future expenditures, a payroll benefit reserve, a working capital reserve, a capital reserve, a reserve for legal costs and an operating reserve.

2. Pre-retirement leave plan:

The Superannuation Commission of the Province of British Columbia transferred to the Trust the assets and obligations of a pre-retirement leave plan in respect of certain employees. Management considers the assets of the plan to be adequate to cover its obligations.

3. Denman Island Old School Site:

In 1993/94, the Denman Island Old School Site was sold by the school district to the Trust for $10,000. The Denman Island Ratepayers' Association donated the purchase price then leased the building from the Trust for 99 years for a total fee of $10. The Trust agreed to facilitate the sale of the school between School District #71 and the Ratepayers' Association by holding title to the property on behalf of the community.

4. Equity in capital assets:

Capital Assets	1999	1998
Opening balance	$636,850	$520,009
Assets acquired out of operating expenditure	81,720	116,841
Closing Balance	$718,570	$636,850

5. Commitments:

The Trust is committed to leases over rented premises and equipment. Minimum future payments in the next five years are as follows:

Leases		
Year	Premises	Equipment
2000	$ 194,134	17,514
2001	142,782	16,415
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2003	--	9,543
2004	--	--

6. Contingency:

(a). In the normal course of a year, the Trust is faced with lawsuits for damages of diverse types. At year end, the Trust's estimated exposure in each such liability is not considered to be significant. When claims are paid as a result of litigation, the expenditures are accounted for in the year of settlement.

(b). Uncertainty due to the Year 2000 issue: The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operation. It is not possible to be certain that all aspects of the year 2000 issue affecting the Trust, including those related to efforts of customers, suppliers, or other third parties, will be fully resolved.

7. Community planning grants:

Planning grant revenue is recorded on the accrual basis to match the grant revenue against the related expenditures.

At March 31, 1999 all outstanding approved 1997/98 planning grants have been recorded in revenue as the related expenditures have been incurred or recorded in the reserve for future expenditures.

Balance Sheet
(March 31, 1999, with comparative figures for 1998)

	1999	1998
ASSETS		
Cash	$39,084	$26,700
Land (1b)	1,646,497	1,646,497
	$1,685,581	$1,673,197
EQUITY		
Fund balance (3)	$1,685,581	$1,673,197

Statement of Changes in Fund Balance

	1999	1998
Balance, beginning of year	$1,673,197	$1,459,296
Add cash items:		
Donations for South & West Salt Spring Conservation	1,500	3,000
Donations for Brooks Point property	5,222	4,702
Donations for McFadden property	3,900	9,713
Other donations	5,196	449
Interest	1,393	540
	17,211	18,404
Deduct cash items:		
Newsletter production/mailing for South & West Salt Spring Conservation	3,206	--
Advertising for Brooks Point	1,622	--
	4,827	--
Balance before non-cash item	1,685,581	1,477,700
Add:		
Land donation - Lasqueti Nature Reserve (2)	--	195,497
Balance, end of year (3)	$1,685,581	$1,673,197

The Islands Trust ("the Trust") is incorporated under the 'Islands Trust Act' of British Columbia (as amended in 1989). The objective of the Islands Trust is "to preserve and protect the trust area and its unique amenities and environment for the benefit of the residents of the trust area and of British Columbia generally...". For financial reporting purposes, the Islands Trust and The Islands Trust Fund are reported on separately. These financial statements present the financial position and changes in fund balance of the Trust Fund.

The Islands Trust Fund ("the Trust Fund") is empowered to accept donations, grants, bequests, etc. and to hold land and other property in compliance with a Trust Fund plan approved by the Ministry of Municipal Affairs.

1. Significant accounting policies:

It is the Trust Fund's policy to follow the same accounting principles as adopted by the Islands Trust, which is to follow accounting principles accepted for British Columbia municipalities. The following is a summary of the more significant policies:

(a). Basis of Accounting: Accounting for the Trust Fund is on the accrual basis.

(b). Land: Land is recorded at its estimated fair market value at the date of donation.

2. Lasqueti Nature Reserve:

The Lasqueti Nature Reserve property was donated by Mrs. Amelia Humphries in December 1997.

3. Fund Balance:

The fund balance of the Trust Fund comprises equity in properties owned by the Trust Fund as well as donations that have been received for specific and non-designated acquisitiion projects. The following table (page 24) indicates the equity in properties owned and the balances (inclusive of interest) held for each acquisition project.

Part B: Financial Statements of the Islands Trust Fund

Balance Sheet

(March 31, 1999, with comparative figures for 1998)

	1999	1998
ASSETS		
Cash	$39,084	$26,700
Land (1b)	1,646,497	1,646,497
	$1,685,581	**$1,673,197**
EQUITY		
Fund balance (3)	**$1,685,581**	**$1,673,197**

Statement of Changes in Fund Balance

	1999	1998
Balance, beginning of year	**$1,673,197**	$1,459,296
Add cash items:		
Donations for South & West Salt Spring Conservation	1,500	3,000
Donations for Brooks Point property	5,222	4,702
Donations for McFadden property	3,900	9,713
Other donations	5,196	449
Interest	1,393	540
	17,211	18,404
Deduct cash items:		
Newsletter production/mailing for South & West Salt Spring Conservation	3,205	--
Advertising for Brooks Point	1,622	--
	4,827	--
Balance before non-cash item	1,685,581	1,477,700
Add:		
Land donation - Lasqueti Nature Reserve (2)	--	195,497
Balance, end of year (3)	**$1,685,581**	**$1,673,197**

Notes to Financial Statements: The Islands Trust Fund

The Islands Trust ("the Trust") is incorporated under the 'Islands Trust Act' of British Columbia (as amended in 1989). The objective of the Islands Trust is "to preserve and protect the trust area and its unique amenities and environment for the benefit of the residents of the trust area and of British Columbia generally...". For financial reporting purposes, the Islands Trust and The Islands Trust Fund are reported on separately. These financial statements present the financial position and changes in fund balance of the Trust Fund.

The Islands Trust Fund ("the Trust Fund") is empowered to accept donations, grants, bequests, etc. and to hold land and other property in compliance with a Trust Fund plan approved by the Ministry of Municipal Affairs.

1. Significant accounting policies:

It is the Trust Fund's policy to follow the same accounting principles as adopted by the Islands Trust, which is to follow accounting principles accepted for British Columbia municipalities. The following is a summary of the more significant policies.

(a). Basis of Accounting: Accounting for the Trust Fund is on the accrual basis.

(b). Land: Land is recorded at its estimated fair market value at the date of donation.

2. Lasqueti Nature Reserve:

The Lasqueti Nature Reserve property was donated by Mrs. Amelia Humphries in December 1997.

3. Fund Balance:

The fund balance of the Trust Fund comprises equity in properties owned by the Trust Fund as well as donations that have been received for specific and non-designated acquisition projects. The following table (page 24) indicates the equity in properties owned and the balances (inclusive of interest) held for each acquisition project.

Properties and Acquisition Funds

Properties Owned:	Acquisition Date	1999	1998
Inner Island Nature Reserve, Denman Island	1992	$70,000	$70,000
Coats Millstone Reserve, Gabriola Island	1994	100,000	100,000
Medicine Beach Marsh, North Pender Island	1996	477,000	477,000
Cunningham Reserve, Salt Spring Island	1994	265,000	265,000
Deep Ridge Reserve, Salt Spring Island	1992	255,000	255,000
Lower Mt. Erskine Nature Reserve, Salt Spring Island	1996	284,000	284,000
Lasqueti Nature Reserve, Lasqueti	1997	195,497	195,497
		$1,646,497	$1,646,497
Properties Acquisition Funds:			
South & West Salt Spring Conservation		$1,399	$3,016
Brooks Point property		10,477	6,482
McFadden property		14,371	9,945
Non-designated fund		12,837	7,257
		$39,084	$26,700
Total Fund Balance (Properties and Funds)		$1,685,581	$1,673,197

4. Program expenses

The annual program expenses for the Trust Fund are funded by and recorded as part of The Islands Trust in accordance with The Islands Trust Act. The expenses are summarized as follows:

Program Expenses

	1999	1998
Programs	$179,283	$147,920
Board	10,866	9,888
Administration	76,008	80,212
	$266,157	$238,020

Properties and Acquisition Funds			
Properties Owned:	**Acquisition Date**	**1999**	**1998**
Inner Island Nature Reserve, Denman Island	1992	$70,000	$70,000
Coats Millstone Reserve, Gabriola Island	1994	100,000	100,000
Medicine Beach Marsh, North Pender Island	1996	477,000	477,000
Cunningham Reserve, Salt Spring Island	1994	265,000	265,000
Deep Ridge Reserve, Salt Spring Island	1992	255,000	255,000
Lower Mt. Erskine Nature Reserve, Salt Spring Island	1996	284,000	284,000
Lasqueti Nature Reserve, Lasqueti	1997	195,497	195,497
		$1,646,497	**$1,646,497**
Properties Acquisition Funds:			
South & West Salt Spring Conservation		$1,399	$3,016
Brooks Point property		10,477	6,482
McFadden property		14,371	9,945
Non-designated fund		12,837	7,257
		$39,084	$26,700
Total Fund Balance (Properties and Funds)		**$1,685,581**	**$1,673,197**

4. Program expenses:

The annual program expenses for the Trust Fund are funded **by and reported as part of** The Islands Trust in accordance **with The Islands Trust Act.** The expenses are summarized as **follows:**

Program Expenses		
	1999	1998
Programs	**$179,263**	$147,920
Board	**10,866**	9,888
Administration	**76,008**	80,212
	$266,137	$238,020